

# Memorandum



**Date:** February 21, 2012

Agenda Item No. 8(A)(1)

**To:** Honorable Chairman Joe A. Martinez  
and Members, Board of County Commissioners

**From:** Carlos A. Gimenez  
County Mayor 

**Subject:** First Amendment to the Lease and Concession Agreement for Luggage Wrapping Services at Miami International Airport with Sinapsis Trading USA, LLC.

## **RECOMMENDATION**

It is recommended that the Board approve the First Amendment to the Lease and Concession Agreement for Luggage Wrapping Services at Miami International Airport (MIA) with Sinapsis Trading USA, LLC (Sinapsis) to 1) reduce the Minimum Annual Guarantee (MAG) paid to the Aviation Department, 2) reduce the contract term, 3) provide for shared revenues from a new off-Airport bag wrapping program, and 4) authorize the Mayor or his designee to procure a new contract. It is also recommended that the Board authorize the Mayor or his designee to execute the First Amendment substantially in the form attached hereto.

## **SCOPE**

Miami International Airport is located primarily within Commissioner Rebeca Sosa's District Six; however, the impact of this item is countywide as MIA is a regional asset.

## **FISCAL IMPACT/FUNDING SOURCE**

This is a revenue-generating contract for the Miami-Dade Aviation Department (MDAD). Current payment provisions include a monthly rent and the greater of an \$11.1 million MAG or a percentage fee of 56.5% of monthly gross revenues. The Resolution proposes a reduction of the MAG from \$11.1 million to \$8.658 million, revising the payment terms to include a monthly rent and the greater of an \$8.658 million MAG or a percentage fee of 56.5% of monthly gross revenues. Additionally, MDAD will receive 35% of gross revenues generated by a new Sinapsis program designed to compete with off-airport vendors within Miami-Dade County; these revenues will be in addition to the proposed \$8.658 million MAG obligation. Under the current agreement, the County is not entitled to share in such revenues.

## **TRACK RECORD/MONITOR**

Sinapsis is current in all its obligations and continues to provide satisfactory baggage-wrapping services throughout MIA. The MDAD Project Manager is Adrian Songer, Chief of Aviation Business & Revenue Development.

## **COMPLIANCE DATA**

There is no history of violations for this firm in the Small Business Development Department's database. At this time 23.4% participation has been achieved and it is expected that movement closer to the established 30% goal will be attained through increased passenger traffic and the purchase of wrapping materials.

## **BACKGROUND**

On September 15, 2009, MDAD issued a Request for Proposal (RFP) for an entity to provide wrapping services at various locations throughout the MIA Terminal and the Rental Car Center. Pursuant to R-841-10, the Board of County Commissioners approved on July 20, 2010, the Agreement with the successful proposer Sinapsis. The closest and second-ranked company proposed the greater of \$4.1

million or 35% of monthly gross revenue. Sinapsis commenced operations at MIA on December 4, 2010, and employs 149 employees; 79 full-time and 70 part-time.

On a number of occasions starting in March 2011, Sinapsis informed MDAD that since its operational date of December 4, 2010, changes had occurred in the industry and in the competitive environment which was not contemplated in their response to the September 2009 RFP. Sinapsis further asserted that these changes were beyond its control and that MDAD needed to consider a reduction in its MAG. The first change, a spiked increase in the number of bags being wrapped off-airport, reportedly began immediately after Sinapsis commenced operations.

Prior to Sinapsis' commencement of its operations at MIA on December 4, 2010, with the exception of charters to Cuba, only a small percentage of passengers wrapped their bags off-airport (leakage). MDAD estimates that at that time, approximately 80% of all checked bags on departing charter flights to Cuba were wrapped. Of those wrapped bags to Cuba, MDAD estimated that 80% were wrapped at MIA while 20% were wrapped off-airport. Sinapsis reported that it had observed that this latter off-airport leakage of 20% had been increasing rapidly.

In addition to the reported spike in off-airport wrapping, Sinapsis also asserted that, on February 20, 2011, a major carrier at MIA reduced from two to one the number of free checked bags allowable to its Central America and Caribbean destinations. MDAD responded that sufficient time had not elapsed since the contract began to accurately discern any negative trends.

In September 2011, Sinapsis again approached MDAD and this time indicated that it had commissioned Professor Murat Erkoc from the University of Miami to study the impact of the leakage to off-airport vendors and the decrease in the allowable free checked bags from two to one. By this time, the major carrier had broadened its reduction (from two to one) of free checked bags to all its international destinations served from Miami, except Brazil. Cuba was not affected by this reduction as it is the charter companies – not the airlines that operate the flights – that set the number of free bags allowed. Sinapsis asserted that, based on the study conducted by Dr. Erkoc, it was seeking a reduction of its MAG from \$11.1 million to \$8.169 million.

From October 1 through October 11, 2011, MDAD commissioned top aviation consulting firm Simat, Helliesen and Eichner (SH&E) to conduct an exhaustive two-phase survey that addresses Sinapsis' claims. The purpose of the first phase was to identify any change in the estimated 20% Cuba-wrapped-bag leakage to off-airport vendors. The second phase had two purposes. The first was to determine the impact of the reduction from two to one free checked bags by the single major carrier which charged \$30 to \$60 (depending upon the destination) for the second checked bag. This was done by comparing the per-party number of bags wrapped by passengers traveling on that major carrier, versus the other carriers, the large majority of which still allowed two free checked bags. The second purpose was to estimate the impact (price-elasticity) of the higher fee of \$15 charged by Sinapsis to wrap each bag (the previous MIA vendor charged \$9). This was done by comparing the number of per-party bags wrapped by the carrier that charged (\$30 to \$60) for the second bag checked, with the number of per-party bags wrapped by all other international carriers combined; these carriers did not charge for a second checked bag. The first phase of the survey included the observation and analysis of 16,362 bags carried on 94 flights of 51 airlines. The second phase of the survey utilized continuous observation and survey of all passengers wrapping bags at the 32 MIA wrapping machines on October 8, 2011.

The analysis concluded that the reduction from two to one free checked bags by the major carrier had only a negligible impact on the average number of bags wrapped per party. For the major carrier, the average number of bags wrapped per-party was 2.37 versus 2.48 for all other airlines that still permitted two free bags. The analysis indicated however, that the leakage to off-airport vendors had jumped from

an estimated 20% to 65% for wrapped bags departing on charter flights to Cuba. More specifically, the analysis concluded that approximately 768 more bags are leaked daily to off-airport vendors since Sinapsis began its operations at MIA on December 4, 2010.

In summary, MDAD's analysis concluded that, combined, the negligible impact of the major carrier's reduced number of free checked bags, and the more incremental and impactful leakage of wrapped bags to off-airport vendors are accounting for an estimated 22% loss in average daily revenue (bags wrapped) by Sinapsis. More specifically, the analysis concluded that had these two conditions not existed, instead of wrapping 2,769 bags on the aforementioned October 8, 2011 date, it is estimated Sinapsis would have wrapped 3,570 bags. Therefore, when applied to Sinapsis' MAG of \$11.1 million, a correlating 22% reduction in its MAG results in our proposed \$8.658 million.

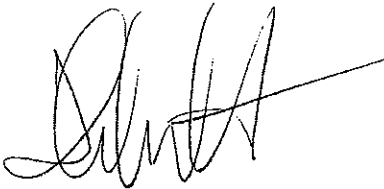
MDAD believes it is in its best interest for Sinapsis to compete with off-airport vendors without diminishing its on-airport revenues. However, as stated earlier, under the current agreement, MDAD is not entitled to any revenue collected by Sinapsis from any off-airport program in which the organization chooses to engage. As the charter flights to Cuba provide the largest single-destination source of wrapping revenue and are also the prime source of off-airport leakage, Sinapsis will introduce a new program, the objective of which is to capture a greater share of the off-airport wrapping business. In this off-airport program, Sinapsis will match the prevailing wrapping fee of off-airport vendors that currently averages \$9 per bag. From this off-airport program, Sinapsis agrees to pay MDAD on a monthly basis, 35% of the gross revenues generated from the off-airport program. Such revenues will not be counted toward the proposed revised annual MAG of \$8.658 million; it will be in addition to the MAG.

The Amendment reduces the contract term from five years with two one-year extensions to the greater of one year or the award of a new contract. This timeframe enables MDAD to continue to provide this customer service and receive non-aeronautical revenues while the Department procures a new contract. The Concessionaire is aware that MDAD will be soliciting bids for a new contract while it provides bag wrapping services and is free to bid on the new contract.

Finally, should there be a federal policy change that i) results in the commencement of scheduled commercial flights to Cuba or ii) limits luggage-wrapping services to MDAD-approved on-site contractors, MDAD will conduct an analysis within 120 days of the effective date of such policy change. Sinapsis agrees that, if supported by the analysis, MDAD at its sole discretion reserves the right to increase the MAG accordingly, up to and including returning the MAG to its original \$11.1 million, plus any CPI adjustments that may have been applicable since the effective date of the Agreement.

<b>PROJECT:</b>	Luggage Wrapping Services
<b>PROJECT LOCATION:</b>	Miami International Airport
<b>TERM OF CONTRACT:</b>	The greater of one year or the effective date of a new Agreement For Baggage Wrapping Services following procurement.
<b>OPTIONS TO RENEW:</b>	None
<b>CONTRACT MEASURES ACHIEVED AT AWARD:</b>	30.0 % ACDBE Goal
<b>CURRENT ACDBE FIRM:</b>	Crown Global Services Corp. (30%)

<b>CONTRACT MEASURES ACHIEVED TO DATE:</b>	23.4% ACDBE Participation
<b>RECOMMENDED MODIFICATION:</b>	Modify the Lease and Concession Agreement to reduce the MAG from \$11.1 million to \$8.658 million
<b>COMPANY NAME:</b>	Sinapsis Trading USA, LLC.
<b>COMPANY PRINCIPALS:</b>	Fabio Talin, President
<b>GENDER, ETHNICITY AND OWNERSHIP BREAKDOWN:</b>	Sinapsis Trading USA, LLC, is a limited liability company, owned by Sinapsis Trading S.L. (81.08%), TrueStar Group S.p.A (9.46%), and Secure Bag Italia, S.r.A (9.46%)
<b>LOCATION OF COMPANY:</b>	95 Merrick Way, Suite 250 Coral Gables, Florida 33134
<b>PREVIOUS AGREEMENTS WITH THE COUNTY IN LAST FIVE (5) YEARS:</b>	None
<b>LIVING WAGE:</b>	No
<b>INSPECTOR GENERAL:</b>	Provisions included in the agreement
<b>FUNDING SOURCE:</b>	This is a revenue-generating agreement
<b>USER AGENCY:</b>	Miami-Dade Aviation Department



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Deputy Mayor




# MEMORANDUM

(Revised)

**TO:** Honorable Chairman Joe A. Martinez  
and Members, Board of County Commissioners

**DATE:** February 21, 2012

**FROM:**   
R. A. Cuevas, Jr.  
County Attorney

**SUBJECT:** Agenda Item No. 8(A) (1)

Please note any items checked.

- ☐ "3-Day Rule" for committees applicable if raised
- ☐ 6 weeks required between first reading and public hearing
- ☐ 4 weeks notification to municipal officials required prior to public hearing
- ☐ Decreases revenues or increases expenditures without balancing budget
- ☐ Budget required
- ☐ Statement of fiscal impact required
- ☒ Ordinance creating a new board requires detailed County Manager's report for public hearing
- ☐ No committee review
- ☐ Applicable legislation requires more than a majority vote (i.e., 2/3's \_\_\_\_, 3/5's \_\_\_\_, unanimous\_\_\_\_) to approve
- ☐ Current information regarding funding source, index code and available balance, and available capacity (if debt is contemplated) required

Approved \_\_\_\_\_ Mayor  
Veto \_\_\_\_\_  
Override \_\_\_\_\_

Agenda Item No. 8(A) (1)  
2-21-12

RESOLUTION NO. \_\_\_\_\_

RESOLUTION APPROVING FIRST AMENDMENT TO LUGGAGE WRAPPING SERVICES LEASE AND CONCESSION AGREEMENT BETWEEN MIAMI-DADE COUNTY, FLORIDA AND SINAPSIS TRADING USA, LLC; PROVIDING FOR A MINIMUM ANNUAL GUARANTEE OF \$8,658,000; DECREASING THE CONTRACT TERM, PROVIDING FOR PAYMENT OF AN ADDITIONAL PERCENTAGE FEE FOR OFF-AIRPORT LUGGAGE WRAPPING ACTIVITIES; AND AUTHORIZING MAYOR OR MAYOR'S DESIGNEE TO EXECUTE AND ENFORCE SAME

**WHEREAS**, this Board desires to accomplish the purposes outlined in the accompanying memorandum, a copy of which is incorporated herein by reference,

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF MIAMI-DADE COUNTY, FLORIDA**, that this Board hereby authorizes the County Mayor or Mayor's designee to execute the First Amendment to the Lease and Concession Agreement with Sinapsis Trading, LLC, for luggage wrapping services, modifying the minimum annual guarantee (MAG), reducing the contract term and providing for the payment of an additional percentage fee for off-airport luggage wrapping activities, in substantially the form attached hereto, and authorizes the County Mayor or Mayor's designee to enforce the terms of such First Amendment.

The foregoing resolution was offered by Commissioner \_\_\_\_\_, who moved its adoption. The motion was seconded by Commissioner \_\_\_\_\_ and upon being put to a vote, the vote was as follows:

Joe A. Martinez, Chairman

Audrey M. Edmonson, Vice Chairwoman

Bruno A. Barreiro

Lynda Bell

Esteban L. Bovo, Jr.

Jose "Pepe" Diaz

Sally A. Heyman

Barbara J. Jordan

Jean Monestime

Dennis C. Moss

Rebeca Sosa

Sen. Javier D. Souto


Xavier L. Suarez

The Chairperson thereupon declared the resolution duly passed and adopted this 21<sup>st</sup> day of February, 2012. This resolution shall become effective ten (10) days after the date of its adoption unless vetoed by the Mayor, and if vetoed, shall become effective only upon an override by this Board.

MIAMI-DADE COUNTY, FLORIDA  
BY ITS BOARD OF COUNTY  
COMMISSIONERS

HARVEY RUVIN, CLERK

Approved by County Attorney as  
to form and legal sufficiency.



By: \_\_\_\_\_  
Deputy Clerk

David M. Murray

**FIRST AMENDMENT TO LUGGAGE WRAPPING SERVICES LEASE AND  
CONCESSION AGREEMENT BETWEEN MIAMI-DADE COUNTY, FLORIDA  
AND SINAPSIS TRADING USA, LLC**

THIS FIRST AMENDMENT to the Lease and Concession Agreement for Luggage Wrapping Services (the "First Amendment") is made and entered into this 1st day of December 2011, by and between Miami-Dade County (the "County"), acting by and through its Aviation Department ("County" or "MDAD") and Sinapsis Trading USA, LLC ("Concessionaire"), and shall be effective upon approval by the Board of County Commissioners of Miami-Dade County, Florida and is not retroactive.

WHEREAS, by Resolution No. R-841-10, passed and adopted July 20, 2010, the Board of County Commissioners of Miami-Dade County, Florida authorized a Non-Exclusive Lease and Concession Agreement for Luggage Wrapping Services at Miami International Airport.

WHEREAS, the Aviation Department recognizes the economic impact that the off-Airport luggage wrapping operations within Miami-Dade County are having on the penetration rates of the Concessionaire.

WHEREAS, the Aviation Department acknowledges that the Concessionaire will implement a sales and marketing program to counter the sales lost to the off-Airport operations within Miami-Dade County.

WHEREAS, it has been mutually agreed upon by the County and the Concessionaire to modify the Lease and Concession Agreement to adjust the Minimum Annual Guarantee and to establish an additional percentage fee category that will be paid to the Aviation Department.

NOW, THEREFORE, in consideration of the premises, and terms and conditions of the Lease and Concession Agreement, the parties to this First Amendment agree as follows:

1. Delete Sub-Article 1.01 **TERM** in its entirety, and replace with the following new Sub-Article 1.01.

**1.01. TERM**

The term of this Agreement shall be for one year from the effective date of the execution of the First Amendment Hereto,, or until a new Luggage Wrapping Services Lease and Concession agreement is awarded, whichever occurs later. The Concessionaire is aware that the County will be soliciting bids, proposals, qualifications or otherwise publicly soliciting for a replacement Luggage Wrapping Services Lease and Concession Agreement during the term of this agreement. Notwithstanding the preceding, nothing herein shall bar or prohibit Concessionaire from participating in such solicitation. In no event shall this Agreement afford



Concessionaire or any other party any right to use the Locations (or any part thereof) after the expiration or termination of this agreement.

2. Delete Sub-Article 1.02, **EXTENSION**
2. Delete **Sub-Article 3.01, MINIMUM ANNUAL GUARANTEE** in its entirety and replace with the following new Sub-Article 3.01:

**3.01 MINIMUM ANNUAL GUARANTEE:** As consideration for the privilege to engage in business at MIA, Concessionaire shall pay the Aviation Department a Minimum Annual Guarantee of **Eight Million Six Hundred Fifty-Eight Thousand Dollars (\$8,658,000)** inclusive of the Annual Rental of the Locations pursuant to **Sub-Article 3.06, "Annual Rental"**.

Should there be a change in federal policy during the term or any extension thereto, that i) results in the commencement of scheduled commercial flights to Cuba or ii) limits luggage wrapping services to MDAD approved on-site contractors, MDAD will conduct an analysis within 120 days of the effective date of such policy change. If supported by the analysis, MDAD at its sole discretion reserves the right to increase the MAG accordingly, up to and including returning the MAG to its original \$11.1 million, plus any CPI adjustments that may have been applicable since the Effective Date of the Agreement.

The Minimum Annual Guarantee "MAG" payment shall commence on the first full month after the Effective Date of this First Amendment and shall be in U.S. funds, prorated and payable in twelve equal monthly payments ("Minimum Monthly Guarantee") ("MMG") on or before the first day of each month, in advance, without billing or demand, plus applicable taxes as may be required by law.

2. Add as a third paragraph to **Sub-Article 3.04, PERCENTAGE FEE TO THE DEPARTMENT** as follows:

In addition to the Percentage Fee specified above, the Concessionaire will pay the Aviation Department the percentage fee of **Thirty-Five Percent (35.0%)** for luggage wrapping activities revenue generated by off-Airport operations of the Concessionaire within Miami-Dade County. This percentage fee is applicable only to the special sales and marketing program utilized by the Concessionaire to develop its off-Airport luggage wrapping market and is in no way utilized in the calculation of the monthly MAG/Percentage Fee payments to the Aviation Department. The Concessionaire must submit the off-Airport program to the Aviation Department for its approval. The program, at a minimum, must include a program description, audit and reporting controls, and pricing.

3. Except for the aforementioned modifications, and in all other respects, the Lease and Concession Agreement, shall remain in full force and effect in accordance

with the terms and conditions specified therein. The modifications contained in this First Amendment are effective upon execution by the Mayor of Miami-Dade County and are in no way to be considered retroactive.

4. In consideration of the approval and full execution of this First Amendment to the Lease and Concession Agreement, Concessionaire does hereby release and forever discharge County and all of its officers and employees from any and all actions, claims, causes of action, or debts which Concessionaire may or could assert related to the Agreement, or which arise out of or are related to the Agreement, or the County's operations of the Airport, or the issues or matters set forth in the aforesaid First Amendment. Notwithstanding the preceding, this release shall not apply to claims, debts, or causes of action which accrue after the execution of this First Amendment.

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IN WITNESS WHEREOF, the parties have executed this First Amendment to the Agreement the date and year first above written.

ATTEST:

MIAMI-DADE COUNTY, FLORIDA, a  
political subdivision of the State of Florida

HARVEY RUVIN, CLERK

BY ITS BOARD OF COUNTY  
COMMISSIONERS

By: \_\_\_\_\_  
Deputy Clerk

By: \_\_\_\_\_  
Mayor

(MIAMI-DADE COUNTY SEAL)

Approved as to form  
and legal sufficiency: \_\_\_\_\_  
Assistant County Attorney

NAME OF OPERATOR:

Sinapsis Trading USA, LLC

By: \_\_\_\_\_  
President

FABIO TALIN  
Print Name

Attest: \_\_\_\_\_  
Secretary

FABIO TALIN  
Print Name

(CORPORATE SEAL)